



# **Fairfax County Internal Audit Office**

**Reston Community Center  
Business Process Audit  
Final Report**

**August 2017**

***"promoting efficient & effective local government"***

# Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Reston Community Center (RCC). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase orders, monthly reconciliations, limited review of accounts receivable and revenue collections, and verifying compliance with Personnel/Payroll Administration Policies and Procedures (PPAPP). The areas covered in PPAPP included time/attendance system and controls, attendance/absence reporting, employee clearance record processing, credit check requirements for positions of trust, and procedures for completing criminal background investigations for employment in sensitive positions.

In general, we found that the department had effective procedures and internal controls in place for the handling of purchasing functions, and transactions had adequate evidence of compliance with county policy. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- We noted control weaknesses in time entry and approval where the preparer was also the approver in 635 time entries. These entries included 11 different approvers.
- An annual review of the FOCUS User Roles Matrix was not performed in a timely manner. In addition, according to the FOCUS User Roles Matrix, two employees who had transferred to other areas of the county still had RCC roles in FOCUS beyond Employee Self Service (ESS).
- RCC used an Employee Clearance Record Checklist that had ten less requirements compared to the checklist required by the county.
- A credit check was not performed on the Deputy Director who was on the Position of Trust list.
- RCC did not have a Billing and Collection plan in place that was approved by the Department of Tax and Administration (DTA).
- RCC did not have the Department Operating Procedures Form completed as required by Financial Policy Statement (FPS) 470 for processing monetary receipts.
- Two items requiring technical review were purchased using the procurement card circumventing the technical review process.
- Two purchase orders were created and approved in FOCUS after the corresponding order was already placed with the vendor.

# Scope and Objectives

This audit was performed as part of our fiscal year 2017 Annual Audit Plan and was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to review RCC's compliance with county policies and procedures for purchasing processes, personnel/payroll administration, and financial reconciliation. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included transactions from procurement cards, FOCUS marketplace, purchase orders, and non-purchase orders that occurred during the period of February 1, 2016, through January 31, 2017. For that period, the department's purchases were \$325,170 for procurement cards, \$24,739 for FOCUS marketplace, \$1,353,353 for purchase orders, and \$248,253 for non-purchase order payments.

## Methodology

Audit methodology included a review of the department's business process procedures with analysis of related internal controls. Our audit approach included an examination of expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

## Findings, Recommendations, and Management Response

### 1. Separation of Duties for Time Approval

Our audit noted a control weakness in the RCC's time entry and approval process. There were 635 instances where time entries were initiated and approved by the same individual. These instances involved 11 different approvers.

An adequate separation of duties in time entry and approval is important in preventing erroneous or fraudulent time reporting.

**Recommendation:** RCC should implement adequate internal controls to prevent employees from initiating and then approving other RCC employee time entries.

**Management Response:** At the Management Team meeting on April 20, 2017, RCC's Executive Director reminded the cost center heads of HCM time approval requirements and cited the audit findings of more than 600 violations of supervisors entering and approving the same employee time. A list of RCC Timekeeper names

was circulated to supervisors on 04/20/17 and RCC's Time & Attendance bi-weekly email message regarding time entry requirements and reminders was modified to include the separation of duties issue prohibiting supervisors from both entering and approving time for an employee. A link to the revised PPAPP # 8 memorandum is imbedded in the text of that communication. Time & Attendance HCM FOCUS reports are now reviewed by RCC's HR/PR Specialist to identify any violations of the requirement. Cost center and other supervisors have been informed that violation of the procedure requirements may result in disciplinary action.

**Note:** Management stated these actions were completed. IAO will perform a follow-up audit on this item after August 3, 2017.

## 2. Access to FOCUS

An annual review of the FOCUS User Roles Matrix was not performed in a timely manner. As a result, two employees who transferred to other areas of the county still had RCC roles in FOCUS beyond ESS.

Not reviewing the employees' FOCUS roles on a timely basis increases the risk that an unauthorized individual may have access to sensitive information and approve time or purchase goods or services.

**Recommendation:** At a minimum, RCC should execute an annual control for reviewing the FOCUS User Roles Matrix. In addition, transferred employees' access should be removed upon their departure from the agency in a timely manner.

**Note:** Based on our review of the FOCUS User Roles Matrix as of 5/1/17, the two employees no longer have RCC' roles. However, the Internal Audit Office (IAO) will perform a follow-up on this item to ensure that an annual review is performed at a minimum.

**Management Response:** RCC will conduct a quarterly FOCUS Role Matrix report review and review it as well whenever employee roles or statuses change (if appropriate). This review will be performed by the Director of Finance.

**Note:** Management stated these actions were completed. IAO will perform a follow-up audit on this item after August 3, 2017.

## 3. Employee Clearance Record Checklist

RCC used an Employee Clearance Record Checklist that had ten less requirements compared to the checklist required by PPAPP Memorandum No. 33, *Employee Clearance Record*. The county checklist includes items such as notifying the Department Information Protection Coordinator to cancel computer system access, cancel signature authority, suspend eVA access, etc. which were not included in the RCC employee clearance record checklist. In addition, responsibility for completing the checklist was not included in the job description for the staff assigned to this function.

Not completing the county required checklist increases the risk that significant steps are not taken such as removing system access and obtaining security passes. In addition, according to PPAPP Memorandum No. 33, "Responsibility for completing Employee Clearance Record Checklists must be included in the job description(s) for staff assigned to this function."

**Recommendation:** RCC should revise their Employee Clearance Record Checklist to include the county required items such as canceling computer system access, etc. or use the County's employee clearance record checklist. Additionally, RCC should include the responsibility for completing the checklist in the job description(s) for the staff assigned to the function.

**Management Response:** PPAPP Memorandum #33 form is now used.

**Note:** Management stated this action was completed. IAO will perform a follow-up audit on this item after August 3, 2017.

#### 4. Credit Checks

A credit check was not performed on the deputy director who held the position since 2000. Per PPAPP Memorandum No.56, *Credit Check Requirements for Positions of Trust*, "Employees who occupy positions of trust are subject to a credit check. Positions of trust include all Directors, Deputy/Assistant Director and Division Director positions as well as positions identified by the department director as having significant fiscal or information security responsibility." The deputy director had been working in the position since the year 2000, which was before the effective date of Memorandum No.56. Per discussion with RCC, they believed that the subsequent distribution of the requirement/memorandum applied only to new hires, as such, a credit check was not obtained.

Obtaining credit checks for those in a positions of trust (i.e., those with fiduciary responsibility) decreases the risk of potential for abuse or fraud.

**Recommendation:** RCC should obtain credit checks for all individuals on the Positions of Trust list. The credit checks should be completed upon initial hire, promotion, transfer, or demotion to a position of trust.

**Note:** During the audit, IAO verified that RCC obtained the credit check for the deputy director. No management response is needed for this item.

#### 5. Billing and Collection Plan

RCC did not have a Billing and Collection plan. Per Financial Policy Statement (FPS) 436, *Billing and Collection Procedures (Non-Tax Accounts)*, "County departments that generate billable revenues are responsible for developing, implementing and updating a plan of action to support the county's policy and achieve timely collection of all

revenues.” The plan for all non-tax receivables should be submitted to the Non-Tax Collections Team in DTA for approval.

Having a county approved Billing and Collection plan decreases the risk of having billing procedures that are non-compliant with the county’s requirement, and supports the county’s goal of achieving timely collection of all revenues.

**Recommendation:** RCC should develop a billing and collection plan for all non-tax receivables that is consistent with FPS 436, and obtain approval of the plan from the Non-Tax Collections Team in DTA. In addition, RCC should review the plan on an annual basis for potential updates.

**Management Response:** RCC will establish an agency operating guidance memorandum to govern our billing and collections practices. RCC will assure the guidance is consistent with FPS 436, obtain approval for that plan, and conduct an annual review of it. Management anticipates completing these actions by October 2017.

## 6. Processing Monetary Receipts

RCC did not have the Department Operating Procedures Form completed that is required by Financial Policy Statement (FPS) 470, *Processing Monetary Receipts*.

FPS 470, states, “At a minimum, all departments are required to complete the Department Operating Procedures Form (Attachment 1).” In addition per the statement, in order to document adherence to FPS 470, the form must be completed and retained on file for the Department of Finance (DOF) and audit review. Any exceptions to the requirements listed on the form must be approved by the DOF Director, using the Waiver Request Form.

Not having the Department Operating Procedures Form completed increases the risk for fraud or error to occur, and inadequate safeguarding and handling of monetary receipts.

**Recommendation:** RCC should complete the Department Operating Procedures Form and identify if any exceptions to the requirements in the form. If there are exceptions, RCC should obtain DOF approval for the exceptions.

**Management Response:** This form has been completed in July 2017.

**Note:** Management stated this action was completed. IAO will perform a follow-up audit on this item after August 3, 2017.

## 7. Technical Review

Two items were purchased using the procurement card without going through the proper technical review. These items were a LaserJet printer for \$560 and a HDTV for \$250.

Procedural Memorandum 12-04, *Technical Review of Purchase Requisitions*, states “Unless formally exempted by the responsible technical review agency, no agency may purchase an item or service requiring technical review without first completing the review process. For this reason items and service requiring technical review may not be purchased using a procurement card.”

The purchase of certain IT equipment on the county procurement card circumvents the technical review process. Purchasing technical items on the p-card increases the risk of overpayment for goods, purchasing items that are incompatible with the county’s systems or not compliant with the county’s standards, and purchasing from a vendor that does not offer technical support.

**Recommendation:** We recommend RCC create purchase orders in FOCUS to procure equipment requiring technical review. If exemptions from technical review are granted by a technical review agency then documentation of the exemption should be maintained on file.

**Management Response:** RCC staff receive ongoing coaching on all purchasing regulations and requirements. A reminder of the requirement for technical review for IT items was provided to the agency IT Network Administrator following identification of the errors. Staff were reminded that DIT staff approval of PCard use for an IT purchase must be attached to purchasing documentation. Failure to follow appropriate procedures may be grounds for disciplinary action.

**Note:** *Management stated these actions were completed. IAO will perform a follow-up audit on this item after August 3, 2017.*

## **8. Purchase Order Created After Receipt of Invoice**

Of the 20 purchase orders tested, we noted two purchase orders were created and approved after the corresponding order was already placed with the vendor. For an order of \$1,440 for fitness classes, the shopping cart was created on 8/23/16 and approved on 8/24/16; however, the invoice date and date signed on the invoice were 8/16/16. Also, for an order of \$602 for dog training classes, the shopping cart was created and approved on 6/8/16, but the date of the service was 4/6/16.

Agencies are required to create and approve a purchase order in FOCUS prior to placing an order with a vendor. Failure to do so circumvents the approval process, promises payment to a vendor for funds that have not yet been encumbered for that purpose and prevents an adequate separation of duties.

**Recommendation:** We recommend RCC submit a procurement request through FOCUS and have it approved prior to placing an order with a vendor.

**Management Response:** RCC’s Executive Director counseled the applicable employees regarding the purchasing regulation requirements after the exit interview preliminary discussion. All employees with purchasing authority are reminded that

purchasing regulations are to be followed always. Emergency exceptions are to be documented and documentation is to be maintained with the purchasing request materials. The Executive Director will include reminders of purchasing requirements on a regular basis in the Management Team meeting discussions. New employees are required to achieve familiarity with purchasing requirements prior to being able to initiate purchases. Repeated instances of non-emergency failures of compliance may result in disciplinary action.

**Note:** *Management stated these actions were completed. IAO will perform a follow-up audit on this item after August 3, 2017.*